self-evident. Bravo adds that, "It gives your R&D more flexibility and power because you are selecting the people you do research with."

Part 4: R&D's synergistic relationship with branding

What is not readily apparent is how Pancosma's unique R&D model enjoys a profound, synergistic relationship with Pancosma's branding strategy. Engaging the specialised expertise of key researchers, universities and institutes is only one of the reasons Pancosma does much of its R&D through independent academic institutions. The other motivation has to do with marketing, industry credibility and the avant-garde nature of this company's products.


Pancosma's internal R&D facilities are only a small part of a much larger strategy

Ironically, the more innovative or unconventional a new product is, the less potential customers will understand or believe in its benefits. Consequently, emerging product lines such as plant extracts or charcoal binders often face skepticism from people in the livestock and feed industry. Pancosma's managers are realistic enough to understand that potential clients look upon advertising claims with a degree of skeptical cynicism, even if the product is truly effective.

For example, many in the industry were initially skeptical that plant extracts could be substituted for banned AGPs. As a result, research published in academic journals factored into the purchasing decisions of many customers. Similarly, research on toxin binders and organic trace minerals was conducted at reputable universities and published in research journals. The resulting solid, irrefutable evidence generated by objective, arms-length academics gives Pancosma products far more credibility than in-house studies or bold advertising.

Consequently, for emerging products such as charcoal or plant extracts, Bravo states that, "We need scientific credibility. If we had carried out trials in our facilities, then duplication would not be possible. We want all our trials to be published in peer reviewed journals so that they gain credibility."

Marketing Director Raper concurs that, "You have to demonstrate a product's mode of action and efficacy through published academic research; we now have that information." Bravo recalls that, "We needed to work with people who have credibility. This was the main challenge in developing plant extracts and this was the moment when we decided to do our research in universities and research centres."

Hence, the credibility created by published academic research plays an implicitly important role in Pancosma's marketing and branding strategy. Raper explains that large customers such as integrated farms, "tend to have a limited number of suppliers for every product category and you have to prove they can trust you. It comes with being proactive and helping them with their business."

Verifiable, scientifically repeatable results play a key role since "Once you get that trust, you are continually feeding them with information and advice."

In this respect, Pancosma's unique R&D model does more than merely generate innovative products. Published research gives the brand credibility by affirming all claims while information shared with key customers adds additional value to the products and services provided.

Bravo states that, "what we are going to do is publish in peer reviewed academic journals more and more. New R&D results are to be published because if they are not published, they do not exist for our large customers."

Part 5: Anticipating the future

Looking ahead, Pancosma sees much potential in the biofuel and alternative feed sectors. It believes that there is a role for palatants, antimicrobials and additives designed to smooth out the wide variations in the taste and safety of DDGS.

According to Bravo, "When you make DDGS, it concentrates all the nutrients and toxins. So if you have mycotoxin in the grain, you will have a lot more mycotoxin in the DDGS."

He adds that, "DDGS contains three to four times more nutrients but if there is mycotoxin in the grain, it will also be concentrated by a factor of three or four. So if we have toxin binders which can bind to toxins and remove them from the digestive tract, they can be very useful."

For Chairman Kofel, biofuel by-products such as DDGS are an opportunity to provide a further growth spurt to Pancosma's long-standing palatant line. He explains that, "They [DDGS] vary from batch to batch so they are not consistent in smell and taste. Animals are very sensitive to the taste and smell of their feed. We are very confident that we can create palatants that meet this need." Bravo adds that, "At the moment we are also moving on flavors and sweeteners to meet the DDGS challenge."

Similarly, the increasing expense and scarcity of corn is causing wheat and a slew of other non-traditional feeds to be incorporated into poultry feed.

Here, Pancosma's proactive R&D has already answered the call. Bravo states that, "If you use wheat to feed a broiler, wheat is a very traumatising cereal for poultry's digestive system. It has been shown in peer reviewed journals that our Xtract 6930 gives security to poultry's digestive system, metabolises the wheat and provides energy."

In one very positive way, Pancosma's future is in its past. By applying its proven, highly adaptable R&D model to emerging frontiers such as alternative feeds or biofuels, the company is using exactly the same forward thinking that created the success it enjoys today.

And there is every reason to believe that as livestock feed re-invents itself, Pancosma will be ahead of the curve, anticipating our industry's next transformation.

Original article first published in FEED Business Asia Issue 17.

FEED Business Asia

An article reprint service by eFeedlink

>>The reinvention of Pancosma:
Innovating the process of R&D, synergising it with marketing strategy

Pancosma's offices and production units in Bellegarde, France


Geneva Switzerland

and Drummondville, Quebec, Canada

Pancosma: R&D, branding & the art of reinvention

Several years ago, Pancosma arrived at a crossroads. New feeds were emerging, old additives were being banned and no one could continue doing things the way they always had. Learn how one company's strategic re-think anticipated the future and created synergies between R&D and branding strategy.

by **Eric J. BROOKS**

A reputable, well-established feed industry multinational, Pancosma has supplied palatants throughout its 60-year history. With production facilities in Geneva, Switzerland, Bellegarde, France and Drummondville, Quebec, Canada, Pancosma has long established a name for itself in Europe, and increasingly, in Asia too.

A leader in the market for emerging feed nutrition products, the company invests seven percent of its turnover into R&D and generates a wealth of published scientific research to prove the effectiveness of its products. However, Pancosma's greatest strength lies in the unique relationship between the company's R&D and branding strategies.

Part 1: Re-thinking the business model

Like many other classical tales of triumph, this one begins with the protagonist in a vulnerable position. Around the time of its change in ownership several years back, Pancosma realised that it was living in a different feed market than the one in which it had earned a reputation as one of the world's leading palatant makers.

On one hand, the ascendancy of alternative feeds, an impending EU ban on antibiotic growth promoters (AGPs), emerging biofuels and alternative feeds was creating a brave new world of opportunities.

Chairman Daniel Kofel recalls how at that time, "There was not enough future in just marketing flavours so the former owner looked for alternative products to palatants."

After looking at long-term industry trends, Pancosma entered the emerging plant extract, organic trace element and toxin binder lines to pursue new opportunities. Kofel considers the resulting diversification, "a risk management strategy."


Pancosma Chairman Daniel Kofel: The challenge is continually reinventing a renowned feed industry multinational

Gavin Raper, Pancosma's Director of Marketing recalls that, "We have ongoing strategic reviews and are always looking for new developments that fit in with Pancosma's philosophy. We are not in the mainstream feed additives line but search for leading edge feed products. We were aware that the EU's banning of AGPs would have a big effect and that animal nutritionists would have to adapt to that ban."

The fruits of this thorough re-think was four distinct, upmarket product lines; palatants, plant extracts, organic trace minerals and charcoal-based toxin binders.

Chairman Kofel adds that, "In the many years we used palatants, we became aware that they had other benefits besides making feed more palatable. We also knew that AGPs were going to be banned and that plant extracts could take the place of AGPs."

Knowing that plant extracts had animal performance enhancing properties similar to AGPs, Raper explains that, "it stimulated our seven year research program looking at the active substances of plants, not the plants themselves."

Pancosma then developed an array of leading edge products while generating a wealth of published academic research that proved their effectiveness. Marketing Director Raper states that, "plant extracts are not just mainstream products; they are used for more than just antibiotic substitution. But there was a lot of research work that had to be done. So we invested a lot in the science and research to show the pure active substance's mode of action."

Part 2: Innovation creates new product lines

The strategy appears to be working: turnover in plant extracts has tripled and Pancosma's XTRACT brand is now the world's best selling plant extract product line. A leader in phytomolecule (plant-based) products, Pancosma used them to develop innovative, micro-encapsulated feed additives.

Sold under the XTRACT trademark, they are widely used by major feed compounders and premix companies as safe, effective, non-antibiotic growth promoting agents.

Indeed, beyond being a replacement for AGPs, the XTRACT line also has demonstrated, highly positive effects on livestock performance, available energy and overall animal welfare.

Used in both ruminant and monogastric livestock, half of the 25 world's largest feed compound companies are using XTRACT brand plant extracts. With AGPs now banned in the EU and other major markets poised to enact similar legislation, Pancosma's XTRACT line is capturing a large part of this new market. However, unlike palatants which make feed's taste more palatable, the appetising effect of plant extracts is due to the way they influence feed metabolism in the animal's gut.

Complimenting the plant extract line was development of an alternative to traditional, poorly absorbed mineral supplements. The resulting high levels of mineral excretion often created serious ecological problems in areas of intense livestock farming. To increase their gut absorption while decreasing ecological damage, glycinated mineral supplements are made by extracting water slowly in a vacuum rather than by traditional spray drying methods.


Marketing Director Gavin Raper: "Always searching for new developments that fit in with Pancosma's philosophy"

Chairman Kofel explains that, "Their biggest advantage is that it is the only product where you can prove directly with X-ray diffraction that at least 98 percent is complexed or re-bonded into a new molecule. This ensures that they are absorbed in the digestive tract."

Glycinated forms of trace minerals such as zinc, copper, iron, manganese and selenium are sold under the name B-TRAXIM 2C. In addition, a new organic form of selenium is available under the name B-TRAXIM Se.

Meanwhile, Pancosma's long- >>

standing palantant lines remain leaders in their respective categories.

Well known Pancosma palatants include SUCRAM, the world-wide brand leader in the flavouring palatant category, PIGORTEK for swine, COVOTEK for ruminants and CMO-TEK, a milk replacement and starter feed for young animals.

SUCRAM, the product which originally made Pancosma famous, is mostly used in hogs in the EU but is also used in dairy cows, beef cattle and calves in other parts of the world.

By encouraging feed intake, palatants optimise the animal's growth potential. Besides zootechnical effects, palatants' sweetening and flavouring characteristics also result in attractive, aromatic feed properties.

All this creates a strong brand identity and increases their attractiveness to both farmers and livestock. Targeted to all feed and animal types, the PAN-TEK range is designed for this purpose and deftly combines excellent palatability characteristics with strong marketing benefits.

The newest addition to Pancosma's product line, CarboVet, is a range of oak charcoal-based toxin binders. A solution to the problems created by endotoxins and diarrhea, charcoal-based toxin binders are a combination of its own in-house research and the strategic acquisition of small, innovative companies.

At this time, toxin binders account for 4 percent of Pancosma's sales but are poised to become its fastest growing product over the long-term. In addition to its oak charcoal-based line of toxin binders, a new set based on apple peal charcoal is already under development.

Part 3: A unique R&D model

Naturally, the success of Pancosma's new product lines implies the question of, 'how does Pancosma not only re-invent its product line but take market leadership so rapidly?'

The answer lies in this company's unique way of doing research and development. It might surprise some that Pancosma does not want to launch too many products or do too much research in very little time.

Despite a history of successfully launching innovative new products,


Head of R&D David Bravo: "Our trials are published in peer reviewed journals so that they gain credibility"

David Bravo, Pancosma's Director of Research and Development states that, "We do not want to launch a lot of products. It is very easy to have a positive trial and launch a product; that is not hard to do. But to introduce an efficacious product, that is difficult and this is the philosophy of Pancosma's R&D."

Why take such a conservative approach? Marketing director Raper hints that: "It is easy in this industry to just keep adding products to your basket but we feel we should have both excellent products and ownership of them. We do not just take products on the shelf and put Pancosma's name on them."

Hence, while no one doubts this company's capacity to create new product lines from scratch, it still places substance ahead of style. Bravo spells out the high standard which bars Pancosma from launching just any old internally developed product: "All our products when we launch them must be transparent, safe, efficacious and secure. R&D must give clear evidence of all four of these traits in peer reviewed journals."

He adds that for Pancosma to develop a wide, diverse array of nutritionals, "it would be impossible to have in a single company all the facilities and all the people required. That is why we do not have our own facilities but do our research through academic universities. This was a decision made by Pancosma's board about 10 years ago."

Elaborating on the functional division between the internal and external components of R&D, Bravo said that, "we are outsourcing research but we also have our own research people. There is a complete team of R&D people. Some are working in research while others are working on developing new products."

He makes it clear that this R&D model is not an outsourcing exercise designed to cut costs: "Take the example of ruminant fermentation: if you want to save money, you can build your own facilities because time in universities is hugely expensive."

Moreover, each R&D project is done in concert with academic institutes specialising in that particular area of nutritional research. For example, the role of charcoal in binding toxins is delegated to the University of Neuchatel in Switzerland, ruminant research is partly done with the University of Barcelona while broiler research is conducted in several institutes around the world.

Essentially, the hypotheses, manufacturing and technical innovation is done by Pancosma while actual trials are conducted at suitable academic institutes. Along with having the input of leading academics for each field, Bravo adds that, "Research is more powerful when you have specialised experts because they fine tune the methodology in powerful, innovative ways."

Nevertheless, delegating R&D to universities is not merely a straightforward managerial decision or commercial arrangement. The university in question must be convinced of a trial's relevance to the academic research community.

This acid test adds further credibility to results that are published in academic journals further down the road. Bravo explains that, "When you want to make a trial, you first have to convince a researcher of your project's relevance and then you have to integrate the researcher into your own programs."

From both a scientific and a product development perspective, there are many advantages to this unconventional approach to R&D. The ability to simultaneously develop leading edge products in several different nutritional lines is a given. That there will be more innovations and breakthroughs when the best minds in a particular field are participating in a product's R&D is also